

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** Original  
**POSITION:** Oppose  
**SPONSOR:** Author

**BILL NUMBER:** AB 430  
**AUTHOR:** M. Feuer  
**RELATED BILLS:** AB 1018, AB 1426

### **BILL SUMMARY:** Multi-Year Projections / Other Reporting Requirements

This bill would require the:

- Governor's proposed budget to include revenue and expenditure estimates for three additional fiscal years following the budget year as well as budget related plans and proposals for those fiscal years.
- Governor to submit to the Legislature updated projections of revenues and expenditures for each of those fiscal years by January 10 (as part of the Governor's Budget), May 15, and October 15 of each year. The budget shall include:
  - An estimate of the long-term impact of expenditure and revenue proposals on the California economy.
  - A five-year capital infrastructure plan.

### **FISCAL SUMMARY**

This bill would result in unknown additional costs related to increased reporting requirements.

### **COMMENTS**

While we share the author's goal to improve information for decision makers, Finance opposes this bill for the following reasons:

- Finance and the Legislative Analyst's Office (LAO) already provide long-term state revenue and expenditure projections.
- Requiring the preparation of additional forecasts would create additional "black-out" periods during which the state could not issue bonds.
- Government expenditure and revenue feedback effects on the economy are best performed using dynamic analyses, which the Department of Finance is not equipped to do.
- Finance already is required to provide an annual five-year infrastructure plan.

Analyst/Principal (0111) G. Bruss	Date	Program Budget Manager Veronica Chung-Ng	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
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M. Feuer

Original

AB 430

**ANALYSIS****A. Programmatic Analysis**

Finance prepares multi-year projections three times each year: for the Governor's Budget, the May Revision, and the Budget Act. The most recent multi-year projection was prepared for the 2011 Budget Act and is available online at:

[http://www.dof.ca.gov/reports\\_and\\_periodicals/documents/MY%20at%202011%20BA%20\(WebVersion\).pdf](http://www.dof.ca.gov/reports_and_periodicals/documents/MY%20at%202011%20BA%20(WebVersion).pdf)

Multi-year projections can be valuable as a long-range decision-making tool, but their accuracy lessens with each additional year. Finance already prepares multi-year projections three times each year, and the LAO also prepares frequent multi-year projections.

When confidential budget information and decisions are being developed, the state cannot disclose the latest status and projection of its fiscal condition. During these periods of time, the state cannot be in the market for bond issuances. Having frequent and lengthy blackout periods would make it difficult for the state to access the market for bond issuances. Increasing the frequency of projections prepared by Finance when there have been no updates in the underlying economic or expenditure forecast / assumptions would not seem to add any value.

Government expenditure and revenue feedback effects on the economy are best performed using dynamic analyses, which the Department of Finance is not equipped to do. This would likely result in unknown significant costs for additional resources for consulting, staffing, and equipment that would be needed to build and test models to meet this requirement.

**B. Fiscal Analysis**

See Fiscal Summary.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
9901/Var Depts	SO	No	-----	See Fiscal Summary	-----	-----	-----	-----	0001
9901/Var Depts	SO	No	-----	See Fiscal Summary	-----	-----	-----	-----	0494
9901/Var Depts	SO	No	-----	See Fiscal Summary	-----	-----	-----	-----	0988

<u>Fund Code</u>	<u>Title</u>
0001	General Fund
0494	Other - Unallocated Special Funds
0988	Other - Unallocated NGC Funds